BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

SCOTT G. ALVAREZ
GENERAL COUNSEL

April 11, 2013

Satish M. Kini, Esq.
Debevoise & Plimpton LLP
555 13th Street N.W.
Washington, D.C. 20004

Dear Mr. Kini:

This is in response to your request for a determination that The Vanguard Group, Inc., Malvern, Pennsylvania,[1] and its subsidiaries and affiliates (collectively, "Vanguard"), may acquire up to 15 percent of any class of voting securities of a bank holding company, bank, savings and loan holding company, or savings association[2] (each a "Regulated Company") without being deemed to have acquired control of that institution under the Bank Holding Company Act ("BHC Act"), the Home Owners' Loan Act ("HOLA"), or the Change in Bank Control Act ("CIBC Act") when the acquisition complies with certain conditions described in this letter and related correspondence.

Vanguard proposes to hold Regulated Company shares through a variety of investment companies registered under the Investment Company Act of 1940, other pooled investment vehicles, and institutional accounts that are sponsored, managed, or advised by Vanguard (collectively, the "Vanguard-Advised Entities" and together with Vanguard, the "Vanguard Parties").

For purposes of the BHC Act and HOLA, a company[3] controls an applicable Regulated Company if the first company (i) directly or indirectly or acting in concert through one or more other persons owns, controls, or has power

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[1] The Vanguard Group is not, and is not affiliated with, a bank holding company or a savings and loan holding company.

[2] The terms bank holding company and bank have the same meanings as set forth in the BHC Act and the Board's Regulation Y. The terms savings and loan holding company and savings association have the same meaning as set forth in the HOLA and the Board's Regulation LL.

[3] Unlike the BHC Act, HOLA's restrictions on control apply to persons, not just companies.

to vote 25 percent or more of any class of voting securities of the applicable Regulated Company; (ii) controls in any manner the election of a majority of the directors of the applicable Regulated Company; or (iii) directly or indirectly exercises a controlling influence over the management or policies of the applicable Regulated Company.[4] The Board's Regulation Y and Regulation LL also set forth several rebuttable presumptions of control.[5]

Under the proposal, the Vanguard Parties would not own, control, or hold with power to vote 25 percent or more of a class of voting securities of, or control the election of a majority of the directors of, any Regulated Company. In addition, the Vanguard Parties would not trigger any of the BHC Act or HOLA rebuttable presumptions of control under Regulation Y or Regulation LL, respectively, with respect to any applicable Regulated Company. Vanguard would only be deemed to control a Regulated Company under the BHC Act or HOLA, as applicable, if the Board were to find that Vanguard exercises a controlling influence over the management or policies of a Regulated Company.

For purposes of the CIBC Act, the Vanguard Parties are presumed by Regulation Y or Regulation LL to control a bank holding company, savings and loan holding company, or state member bank if, individually or collectively, "immediately after the transaction ... [they] will own, control, or hold with power to vote 10 percent or more of any class of voting securities of the institution" and either the institution has registered securities or no other person owns or controls a greater percentage of the same class of voting securities of the institution.[6] Vanguard proposes, from time to time, the Vanguard Parties would acquire in excess of 10 percent of a class of voting securities of a bank holding company, savings and loan holding company, or state member bank.

Vanguard proposes several conditions and commitments to ensure that the Vanguard Parties would not exercise a controlling influence over a Regulated Company for purposes of the BHC Act and HOLA and to rebut the regulatory presumption of control for purposes of the CIBC Act. In particular, the Vanguard Parties collectively would not own or control more than 15 percent of any class of voting securities of a Regulated Company, and none of Vanguard or any Vanguard-Advised Entity would individually own or control more than 10 percent of any class of voting securities of a Regulated Company. In addition, Vanguard

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[4] 12 U.S.C. §§1841(a)(2), 1467a(a)(2); 12 CFR 225.2(e), 238.2(e). Additionally, Vanguard will be deemed to control a company under HOLA if Vanguard owns more than 25 percent of the capital of the company. 12 U.S.C. § 1467a(a)(2)(B); 12 CFR 238.2(e)(2).

[5] 12 C.F.R. §§ 225.31(d), 238.21(d).

[6] 12 C.F.R. § 225.41(c).

has committed to use its best efforts to vote shares of a Regulated Company owned or controlled by the Vanguard Parties in excess of 10 percent ("excess shares") in the same proportion as all other shares of the Regulated Company not owned by the Vanguard Parties are voted. In the event that Vanguard's best efforts are unsuccessful, Vanguard would not vote any excess shares.

Moreover, Vanguard has made a number of commitments designed to mitigate the ability of the Vanguard Parties to control a Regulated Company. Among these commitments, Vanguard has committed that, whenever the Vanguard Parties own or control, in the aggregate, 10 percent or more of any class of voting securities of a Regulated Company, the Vanguard Parties will not, individually or collectively:

> 1) take any action to control the Regulated Company within the meaning of the BHC Act or HOLA, as applicable;
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> 2) have any director, officer, or employee interlocks with the Regulated Company;
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> 3) except in the context of a tender offer or in certain other specified transactions, dispose of voting shares of the Regulated Company (i) to any person seeking control over the institution or (ii) in block transactions exceeding 5 percent of any class of voting shares of the institution; or
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> 4) threaten to dispose of voting shares in any manner as a condition of specific action or non-action by the Regulated Company.[7]

In addition to considering the commitments made by Vanguard, Board staff has considered the nature of Vanguard and its proposed investments. Vanguard operates and provides investment advice to the Vanguard-Advised Entities. The proposed acquisitions in Regulated Companies would not be proprietary investments by Vanguard. Rather, they would be investments made by Vanguard-Advised Entities and on behalf of the beneficial owners of the Vanguard-Advised Entities. The Vanguard-Advised Entities are not operating companies, and Vanguard does not lend to the Vanguard-Advised Entities or to their portfolio companies. Moreover, Vanguard is not in the business of operating or controlling Regulated Companies, or other companies. The proposed acquisitions will be made for investment purposes with the expectation of resale

[7] For a complete list of the commitments that Vanguard has made to the Board, see the Appendix.

and not for the purpose of exercising a controlling influence over the management or policies of any Regulated Company.[8]

In view of the commitments made by Vanguard and the facts described in this letter, Board staff would not recommend that the Board find that acquisitions made within the parameters set forth in this letter would cause Vanguard or any of the Vanguard-Advised Entities: (i) to control a bank holding company or bank for purposes of the BHC Act; (ii) to control a bank holding company, savings and loan holding company, or state member bank for purposes of the CIBC Act; or (iii) to control a savings and loan holding company or savings association for purposes of the HOLA.

The preceding opinions are based expressly on the facts and circumstances of this case as they have been described to Board staff, and any change in these facts or circumstances may result in a different opinion. In addition, this letter expresses no opinion as to whether a CIBC Act notice would be required for transactions involving direct investments in national banks, state non-member banks, or savings associations. If you have any questions about this matter, please contact Will Giles (202-452-3351) or Jay Schwarz (202-452-2970) of the Board's Legal Division.

Sincerely,

Scott G. Alvarez

cc: Federal Reserve Bank of Philadelphia

[8] The Vanguard Parties do not employ business strategies that contemplate the exercise of a controlling influence over the Regulated Companies.

APPENDIX

Commitments of Vanguard to the Board

Aggregate investments by Vanguard and the Vanguard-Advised Entities in 10 percent or more of any class of voting securities of a bank holding company, bank, savings and loan holding company, and savings association (each, a "Bank") will be conducted in accordance with the commitments and restrictions listed below.

1. Vanguard and the Vanguard-Advised Entities in the aggregate:

    a. will not acquire more than 15 percent of any class or series of voting securities of any Bank without receiving the Board's prior nonobjection or approval under the Change in Bank Control Act, the Bank Holding Company Act, or the Home Owners' Loan Act, as applicable; and

    b. will use best efforts to provide that shares in excess of 10 percent of any class or series of voting securities of a Bank ("excess shares") will be voted in proportion to the vote taken on all shares that are not excess shares or, in the event that such efforts to provide for mirror voting are not successful, will not vote any excess shares.

2. Neither Vanguard nor any Vanguard-Advised Entities will, directly or indirectly, individually or in the aggregate:

    a. take any action to cause a Bank or any of its subsidiaries to become a subsidiary of Vanguard or any Vanguard-Advised Entity for purposes of the BHC Act;

    b. unless agreed to by the Federal Reserve Board or its staff, and permitted by applicable law, seek or accept representation on the board of directors of any Bank or its subsidiaries;

    c. have or seek to have any representative of Vanguard or any Vanguard-Advised Entity serve as an officer, agent or employee of any Bank or its subsidiaries;

    d. propose a director or a slate of directors in opposition to any nominee or slate of nominees proposed by the management or board of directors of any Bank;

e. exercise or attempt to exercise a controlling influence over the management or policies of any Bank or any of its subsidiaries;

f. attempt to influence the dividend policies; loan, credit, or investment decisions or policies; pricing of services; personnel decisions; operations activities (including the location of any offices or branches or their hours of operation, etc.); or any similar activities or decisions of any Bank or any of its subsidiaries;

g. enter into any agreement with a Bank or any of its subsidiaries that substantially limits the discretion of the Bank's management over major policies and decisions, including, but not limited to, policies or decisions about employing and compensating executive officers; engaging in new business lines; raising additional debt or equity capital; merging or consolidating with another firm; or acquiring, selling, leasing, transferring, or disposing of material assets, subsidiaries, or other entities;

h. solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of a Bank or any of its subsidiaries; or

i. dispose or threaten to dispose (explicitly or implicitly) of equity interests of a Bank or any of its subsidiaries in any manner as a condition or inducement of specific action or non-action by Bank or any of its subsidiaries.

3. Neither Vanguard nor any Vanguard-Advised Entity will dispose of voting securities of a Bank:

a. to any person if Vanguard or the Vanguard-Advised Entity knows that such person seeks to change the control of the Bank in any manner; or

b. to any person whom Vanguard or the Vanguard-Advised Entity knows (i) has made a filing with the U.S. Securities and Exchange Commission or other federal agency with respect to the ownership of more than 5 percent of the Bank's voting securities, or (ii) would be required to do so as a result of the purchase from Vanguard or a Vanguard-Advised Entity; or

c. in an amount of more than 5 percent of the Bank's voting securities in any single transaction;[9]

provided that notwithstanding paragraphs (a) through (c) above, Vanguard and the Vanguard-Advised Entities may dispose of their stock in a Bank in the following circumstances:

(i) in a cross trade between two Vanguard-Advised Entities in compliance with the rules governing such cross trades under the Investment Company Act of 1940, as amended (the "1940 Act");

(ii) in a sale by Vanguard or a Vanguard-Advised Entities to the Bank or one of its subsidiaries;

(iii) in a tender or exchange offer for voting stock of the Bank; or

(iv) in a widespread public distribution effected on a stock exchange or otherwise (which may include a sale to one or more broker-dealers acting as market makers or otherwise intending to resell the shares sold to it or them in accordance with its or their normal business practices).

4. Neither Vanguard nor any Vanguard-Advised Entity will individually own, control, or hold with power to vote more than 10 percent of any class of voting securities of a Bank.

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[9] A single transaction includes a bunched trade effected by two or more Vanguard-Advised Entities in compliance with the rules governing bunched trades under the 1940 Act.